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C O N F I D E N T I A L SECTION 01 OF 03 SHANGHAI 006494

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E.O. 12958: DECL: 10/13/2016
TAGS: [PREL](#) [PGOV](#) [PHUM](#) [CH](#) [ECON](#) [EFIN](#)
SUBJECT: DAS CHRISTENSEN'S SHANGHAI VISIT

REF: SHANGHAI 6493

CLASSIFIED BY: Simon Schuchat, Deputy Principle Officer, , US
Consulate Shanghai.
REASON: 1.4 (b), (d)

¶1. (C) Summary. During DAS Christensen's September 12-14 visit to Shanghai, he participated in a Fudan University roundtable, and met with Shanghai foreign policy academics, influential Shanghainese, and representatives of AmCham Shanghai. His lunch with academics was reported in reftel A. During the Fudan roundtable, students and faculty discussed Taiwan, North Korea, and democracy, and urged the USG to be more proactive in reaching out to the Chinese people. Local Shanghainese discussed gay rights, rising economic nationalism in China and the Sino-Japan relationship. AmCham members discussed changing trends in Shanghai's business climate and also expressed concerns about growing economic nationalism. End Summary.

Fudan Roundtable

¶2. (SBU) During a lively roundtable with Fudan University's Center for American Studies (CAS) students and faculty, DAS Christensen engaged participants on a wide range of issues including Taiwan, Japan, North Korea, democracy, and U.S. public diplomacy efforts. In response to a question about former Deputy Secretary Zoellick's "responsible stakeholder" concept, DAS Christensen said the USG was using the concept to encourage China to take a more active role in international institutions. He added that the United States did not fear China's growing influence but wanted China to use its power constructively to help solve global issues.

¶3. (SBU) Students and scholars were interested in the U.S. reaction to recent protests in Taiwan that called for President Chen Shui-bian to step down. DAS Christensen said the USG did not have a position on Taiwan succession and said our main concern was that the political process was non-violent and in accordance with the Taiwan Constitution. He added that the United States supports Taiwan's Democracy and that the "one China policy" requires that the two sides of the Taiwan Strait must find peaceful means to resolve cross-strait issues. On Japan, DAS Christensen noted that focusing too much on emotional historical issues had negatively impacted the Sino-Japanese

relationship. Both countries needed to find a way to improve their relationship.

14. (C) DAS Christensen said that North Korea had essentially backed-out of the agreement reached during the last round of the Six-Party talks and was using the sanctions issue as an excuse. The United States was willing to help North Korea to implement economic reforms but it must first give up its nuclear weapons program. China should play a leading role in pushing North Korea on this issue. CAS Director Shen Dingli (protect) countered that the United States was not giving North Korea an opportunity to join the talks and warned that North Korea would be more dangerous if it decided against participating in the Six-Party process.

15. (C) CAS Deputy Director Sun Zhe (protect) said some Chinese believed USG efforts to promote democracy were an attempt to weaken the country. He claimed China had not rejected democracy but rather had a different understanding of how to implement it, and then suggested that the USG provide China a "to-do" list of steps to take. DAS Christensen said such a list would be too complex, and stressed that the United States promoted democracy because it led to stability. Also, people on the mainland should not be too harsh in criticizing Taiwan's democracy. While Taiwan's young democracy had many problems, it was still basically healthy and provided an example for the mainland of how a democracy can emerge from a one-Party State within a Chinese cultural context.

16. (SBU) The CAS students stressed the need for more efforts to improve the U.S. image in China. According to one student, people living in poorer areas of China had a more negative impression of the United States than those in urban areas. DAS

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Christensen said that the USG, through its transformational diplomacy initiative, would become more proactive in reaching out to Chinese people. Another student urged more people-to-people programs, noting that she had just returned from trip to the United States in which she learned more about the country than in all of her coursework. DAS Christensen encouraged the students to be proactive in correcting misunderstandings about the United States and urged them to consider government service. He said it was important for people to engage with their government and find ways to shape policies.

Gay Rights, Economic-Nationalism and Sino-Japan Relations

17. (C) At a dinner with a small group of Shanghai "movers and shakers," DAS Christensen engaged on a wide range of current topics. Gay rights lawyer and activist Zhou Dan (protect) noted China's recently enacted legislation improved protection of rights of people with HIV/AIDS in China. Zhou said there was still no legislation protecting gay rights, but acknowledged a general positive trend in China since 2001 when homosexuality was classified as a psychological disorder. Many of his clients were couples wanting to divorce because one partner was gay.

18. (C) The Carlyle Group Chief Representative Luo Yi (protect) saw both nationalism and protectionism as the motivating factors underlying the new M&A rules. Both he and Eric Li (protect), the Manager of Chengwei LLC Ventures, a small private equity firm which handled China investments for several U.S. colleges, viewed the rules as political posturing leading up to the next Party Congress and didn't expect any significant change until after November 2007. Meanwhile, Carlyle would need to restructure some of its deals to work around the regulations. Luo said the flare-up over Carlyle's efforts to acquire a

controlling stake in Xugong Manufacturing Group (Ref B) was unfortunately the most publicized example of this wave of economic nationalism, and that "he could write a fascinating book" discussing its travails. Luo opined that the USG bore some of the blame for the new economic nationalism because of the failed CNOOC bid. Acknowledging that the deal was not blocked by the Administration, he said that the common Chinese person did not differentiate between Congress and the rest of the U.S. Government. He quipped that China unfortunately had "learned" from the United States to use "national security" as a rationale to protect domestic business.

¶9. (C) Turning to international issues, the group discussed anti-Japanese sentiments among Chinese. Chief Editor of China Daily's East China edition Chen Weihua (protect) noted with bemusement that it was not his parents, who directly experienced the war with Japan, but his daughter who held the strongest anti-Japanese attitudes and who had participated in anti-Japanese protests. Li thought it was clever of China to take the moral high ground with Japan. Japan would isolate itself in Asia if it did not face up to its history, but that was not necessarily bad for China.

AmCham Breakfast

¶10. (SBU) During a breakfast meeting hosted by AmCham Shanghai, DAS Christensen discussed bilateral relations and queried AmCham members on the local business environment. AmCham Chairman Jeff Bernstein first briefed the DAS on three main trends in Shanghai's business environment: Shanghai's development into a service economy, the emergence of an R&D sector in Shanghai (with its accompanying technology transfer and IPR issues), and the movement of manufacturing away from Shanghai. Overall, AmCham members rated Shanghai as one of the best places to do business in China, but acknowledged there were still transparency issues that made doing business unpredictable. The group raised the issue of China's "push-back" on FDI, reflected in China's new M&A regulations. They discussed the failed CNOOC bid as well as proposed U.S. rules on export controls as factors fueling China's growing protectionism.

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¶11. (U) DAS Christensen has cleared this cable.
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